

IPO TIMELINE

Events	Date
IPO Opening Date	Sept 5, 2022
IPO Closing Date	Sept 7, 2022
Allotment Date	Sept 12, 2022
Initiation of Refunds	Sept 13, 2022
Credit of Shares to Demat	Sept 14, 2022
IPO Listing Date	Sept 15, 2022

IPO LOT SIZE

Application	Lots	Shares	Amount
Minimum	1	28	₹ 14,700
Maximum	13	364	₹ 191,100
S-HNI (Min)	14	392	₹ 205,800
S-HNI (Max)	68	1904	₹ 9,99,600
B-HNI (Min)	69	1932	₹1,014,300

IPO KEY DETAILS

Opening Date	Sept 5, 2022
Closing Date	Sept 7, 2022
Price Band	Rs. 500 to Rs 525
Issue Size	15,840,000 shares of Rs 10 (aggregating up to ₹831.60 Cr)
Face Value	Rs. 10
Market Lot	28 shares
Reservation	QIB 75%, Retail 10%, NII 15%

FINANCIAL PERFORMANCE (Rs Cr)

Y/E March	FY20	FY21	FY22
Interest Earned	3466.11	3609.05	3833.86
Other Income	526.42	644.35	822.58
Total Income	3992.53	4253.4	4656.44
Expenditures	3,584.84	3,650.07	3,834.53
PAT (Rs. Cr)	407.69	603.33	821.91
<i>PAT margin</i>	<i>10.21</i>	<i>14.18</i>	<i>17.65</i>
EPS	28.6	42.3	57.7
P/E	NA	NA	9
RoA (%)	1.0	1.3	1.7
RoE (%)	10.7	14.1	16.6

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Our Recommendation: Tamilnad Mercantile Bank has rich heritage with loyal and dedicated customer base. Though the bank has strong hold in Southern India especially in Tamilnadu, the bank is planning to expand into other strategic regions. The bank has been performing financially consistently with strong asset quality. TMB has reported a relatively lower GNPA of 1.7% compared with 4.4% for its Peers. Given these scenarios, we recommend to subscribe for medium to long-term to term gains.

About Company: Tamilnad Mercantile Bank (TMB) is one of the oldest private sector banks in India. The bank was incorporated in 1921. The bank offers various banking and financial services to retail customers, micro, small, and medium enterprises (MSMEs). TMB has a strong portfolio of advances and deposits from a diversified customer base including retail customers, agricultural customers, and MSMEs. The bank has total of 509 branches and a total customer base is 5.08 million as of March 31, 2022. TMB has a strong market presence in Tamil Nadu with 369 branches and is also present in 15 other states and 4 union territories of India.

IPO Objectives:

- To use funds for meeting bank's future capital requirements.
- Benefits of being a publicly listed company.

Loyal customer base & strong legacy: TMB is a well-known commercial bank in South India especially in Tamil Nadu, which is its home state along with Karnataka, Maharashtra, Gujarat, and Andhra Pradesh. Over its 100 years legacy, the bank has grown its customer base from 4.91 million in 2021 to 5.08 million in 2022. Bank has long-term relationship with its customers. The bank has strong knowledge of local needs and experience in this sector. TMB has various banking channels such as ATMs, CRMs, internet banking, mobile banking, and debit and credit cards.

Diversified portfolio across customer base: Bank's advances portfolio consists of lending to Retail customers (20.60% of total advances; agricultural customers (27.38% of advances), and MSMEs (37.38%). The bank's main focus has been in understanding needs and expectations of customers through its dedicated regional managers and agri officers. Its RAM business has grown at the rate of 12.95% CAGR in last three years.

Consistent financial performance & strong asset quality: TMB reported second highest PAT for the Fiscal 2021 at 6.03 billion lagging only behind Federal Bank. Net non-performing assets has been lower than its peers'. Tamilnad mercantile bank also had second highest provision coverage ratio among its peers. Current accounts, savings accounts (CASA) has grown by a CAGR of 16% in last 3 years. GNPA is 1.7% compared with 4.4% for its peers.

Key Risks: Although, PAT is increasing continually but consists big chunk of other income that is Rs 821 crore in FY2022. Bank is dependent on Retail, MSME and Agricultural customers and any adverse development could hamper growth. Bank's biggest share of business comes from Tamilnadu and any political/economic instability could disrupt business.

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Disclosure:

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